

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 L-03 /022 W

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R 041441Z APR 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9839

USDOC WASHDC

UNCLAS BUENOS AIRES 2470

E.O. 11652: N/A

TAGS: EFIN, PGOV, AR

SUBJECT: POSSIBLE INSURANCE LIBERALIZATION

REF: STATE 645914

1. GOA HAS DRAFTED NEW INSURANCE LEGISLATION WHICH IS CURRENTLY UNDER CONSIDERATION BY THE LEGISLATIVE ADVISORY COUNCIL (CAL). THE EMBASSY HAS OBTAINED COPIES OF THE BILLS AND IS TRANSMITTING THEM TO MR. LEDWYER, USDOC. THE CAL WILL NO DOUBT REVISE SOME OF THE PROVISIONS BUT THE GENERAL THRUST OF THE LEGISLATION SHOULD REMAIN THE SAME.

2. THE PROPOSED LEGISLATION HAS BOTH LIBERAL AND RESTRICTIVE FEATURES BUT THE ACTUAL IMPACT ON FOREIGN INSURANCE COMPANIES IS IN DOUBT. SOME OF THE RESTRICTIVE FEATURES INCLUDE:

A. THE ELIMINATION OF THE PRIVILEGE GRANTED TO FOREIGN INSURANCE COMPANIES ESTABLISHED IN ARGENTINA TO REINSURE UP TO 40 PERCENT OF THEIR CONTRACTS ABROAD. THEY WILL NOW ONLY BE ABLE TO DO SO THROUGH ARGENTINE INSURANCE COMPANIES.

3. WHILE ABOLISHING THE LOCAL REINSURANCE MONOPOLY OF INDER, THE STATE-OWNED REINSURANCE INSTITUTE, THE PROPOSED LEGISLATION ALLOWS ONLY ARGENTINE COMPANIES TO OPERATE IN THE REINSURANCE BUSINESS (EXCEPTION IS EXPORT CREDIT INSURANCE). THE DEFINITION OF AN ARGENTINE
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COMPANY HAS BEEN MADE STRICTER: NOW AT LEAST 70 INSTEAD OF 60 PERCENT OF AN INSURANCE COMPANY MUST BE OWNED BY ARGENTINES TO BE CONSIDERED ARGENTINE UNDER THE LAW. THIS DEFINITION CONFORMS WITH THAT GIVEN IN THE LAW ON FINANCIAL ENTITIES (SEE REF BUENOS AIRES 1329).

C. ARGENTINE INSURANCE COMPANIES MAY REINSURE ABROAD BUT MUST PAY A 2 PERCENT TAX ON THE FOREIGN PREMIUMS.

IN ADDITION, THE BILL PROVIDES FOR A 20 PERCENT TAX ON
ANY EXCESS BETWEEN FOREIGN PAYMENTS MADE AND THOSE
RECEIVED (I.E. PREMIUMS, COMMISSIONS, OR COMPENSATIONS).
THE THRUST OF THIS PROVISION IS TO TRY TO REDUCE THE
FOREIGN EXCHANGE OUTFLOW FROM REINSURANCE ABROAD.
HILL

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Message Attributes

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Sent Date: 04-Apr-1977 12:00:00 am
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Disposition Case Number: n/a
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Disposition Reason:
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